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FOREIGN SERVICE DESPATCH

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SUBJECT: Joint Weeka No. 33 For State, Army and Air Departments from S.

SUMMARY

During the past week the position of Lieutenant Colonel Carlos CASTILLO Armas, President of the Junta, was further consolidated, but signs that firm leadership was still lacking and that important sectors of the populace were restive continued. Castillo Armas' principal gain was in the armed forces where, following last week's abortive rebellion at the Base Militar, the garrison commanders in the capital were replaced by officers linked with Castillo Armas' movement. Castillo Armas was named sole Commander-in-Chief of the Army in a new "Political Statute" which replaced the 1945 Constitution and also opened the way for him to assume power alone in some matters by providing that the Junta would continue only until a Constituent Assembly "expressed the will of the Guatemalans." Other measures taken to strengthen the government included a decree dissolving the Communist and other political, labor, and "mass" organizations which supported Arbenz, a prohibition against the foundation or functioning of any political parties until the Constituent Assembly election, and the granting of the first batch of safe conducts to Communists and other Arbenz supporters whose presence as refugees in foreign missions poses a constant security threat to the regime. It also became clearer that the financial position of the government was not of crisis proportions that some of its spokesmen had previously described.

In contrast to these developments, however, the week brought repeated evidence of lack of firm leadership. There was further talk of eradication of Communism, but practically nothing was accomplished in this field, while the National Palace remained in an atmosphere of factionalism and intrigue. The mood in the armed forces was such that a group of enlisted men at the Base Militar were reported to have started another mutiny which was put down without publicity. There was a certain amount of vague unrest as a result of unsettled business conditions and some increase in unemployment.

Meanwhile, the government was not operating smoothly. The decree dissolving the Arbenz political parties and labor organizations was so ineptly drafted that three of the four unions it ordered dissolved

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were unions of the United Fruit Company and the International Railways of Central America which had already been cleansed of Communists. This opened the government to domestic and foreign charges of being anti-labor and the tool of U.S. business interests. The government's prohibition of the functioning of political parties offended the long-established anti-Communist parties which had supported Castillo Armas, while the Foreign Ministry floundered in the complex question of asylum to such an extent that, overlooking the possibility of starting by granting safe conducts to politically unobjectionable women and children, it granted the first to Communist-oriented foreign conspirators who had used Guatemala as a base during the Arbenz regime.

DOMESTIC AFFAIRS

Junta Moves to Bring Army Under Castillo Armas' Control: Following the new government's narrow escape from being overthrown on August 2-3 as a result of the Base Militar uprising (Weeka 32), Castillo Armas and the Junta moved to bring the army under tighter control, but there were continued signs of restiveness among the military. The two regiments stationed in Guatemala City were placed under new Commanders linked with Castillo: the First Regiment (the Guardia de Honor) was given to Colonel Juan Francisco CLIVA, brother of Castillo Armas' colleague in the Junta, and the Second Regiment (at the Base Militar) under Colonel Ernesto NEIDERHEITMAN who commanded one of the columns of Castillo Armas' "Liberation Army." Troops not involved in the August 2-3 rebellion were brought in to the Base Militar from the garrison at Quezaltenango in the west. Colonel Jorge BARRICS Solares, another of Castillo Armas' "Liberation Army" commanders, was put in command of both the regular troops and "Liberation Army" in the eastern departments.

Along with these transfers, Castillo Armas was, as President of the Junta, named Commander in Chief of the National Army in the Political Statute issued on August 11. It was understood that there was some opposition to this from Colonel [redacted] who is reported to have sought vesting of the command in the Junta as a body. The provision as adopted should strengthen Castillo Armas' position, and there are further plans to consolidate it. He announced at his August 7 press conference that part of his "Liberation Army" would be incorporated in the regular forces, and it is anticipated that they will be assigned in such a way as to make military conspiracies by regular army elements less likely.

Meanwhile, a special military board of inquiry has been proceeding to question cadets at the Escuela Politecnica and personnel at the Base Militar with a view to bringing the persons behind the August 2-3 rebellion to trial. The Junta's Secretariat for Publicity, anticipating the board's findings, issued a bulletin charging that the rebellion had links with ex-President Arbenz in the Mexican Embassy, but giving no details. Castillo Armas told the press that 12 officers were under arrest. When asked if the

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death penalty would be imposed, he declined to comment, but said he would carry out whatever sentence was imposed. The question of whether the Escuela Politecnica should be closed was still under study, though Castillo Armas told the press that some cadets were not involved in the rebellion and it might be unfair to them to close the school. On this he may be misinformed since a wounded cadet interviewed by reporters said the only cadets not taking an active part were those left behind to guard the school.

Despite these measures, there were a number of signs that the army was still restive. On August 11, it has been reported, a group of about 120 soldiers and NCO's sympathetic to Major Manuel [illegible], ringleader of last week's rebellion, attempted to seize control of the Base Militar by an armed threat against their officers, but the new commander, Colonel Neiderheitman, kept the situation under control and proceeded immediately to discharge all involved. This reported small mutiny received no publicity and it appears that the government does not want it to be known. Meanwhile, some anti-Communist officers were reported to be both worried about their status and prerogatives in the current situation and what they consider the rightist-clerical trend under Castillo Armas. There were reports that remnants of the "Liberal Party," which along with the army ruled Guatemala before the 1944 Revolution, were meeting to discuss the situation with various unnamed officers. On Castillo Armas' side there was continued apprehension about the attitude of the regular officers. The point of view expressed was that while the officers' corps was anti-Communist they were not untouched by the years of propaganda and should be taught that any rebellion against the present government would play into the Communists' hand.

Effort to Eradicate Communism Remains Sluggish: The week's results in the Junta's repeatedly announced program to eradicate Communism again reflected disorganization and lack of energy in this field. The principal development was the publication on August 11 of a decree, with all of the signs of having been ill-considered, legally dissolving (1) the four political parties which supported Arbenz, PAR, FRG, PU and PGT; (2) the Communist-front "mass" organizations, AJDG, AFG, FUD, and [illegible]; (3) the national labor and peasants' federations, CGTG and [illegible]; and (4) four unions, the International Railway of Central America Workers' SAMF, the United Fruit Company workers' unions at Bananera and Tiquisate, and the teachers' union STEG. Since the political parties, mass organizations, and labor and peasants' federations had already collapsed, their legal dissolution added little to the fight against Communism, but the inclusion of four unions, three of which represented the workers of large U.S. concerns, brought ill feeling in anti-Communist labor circles (see below). It is known on good authority that the Cabinet was not consulted about the decree, which appears to have originated with Minister of the Interior Jorge Adán SERRANO who was attacked this week in La Hora for bumbling in his job.

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Meanwhile, there were no significant arrests of Communist leaders, and six of the Communist Partido Guatemalteco del Trabajo's 11 Political Committee members remain unaccounted for. The press reported that a mimeographed manifesto was issued by the Political Committee from underground on July 15 and the Embassy has seen a copy of another mimeographed Communist propaganda sheet distributed during last week's rebellion. While this has been going on, the police arrested only such figures as Marcial MENDEZ Montenegro, ex-Chief Justice, Carlos ZACHRISSON, former Foreign Ministry official, and José Felipe DARDON, former PAR Deputy. All of these collaborated to an extent with the Communists but they had not previously been identified as party members or as even secondary figures in the Communist apparatus.

In an effort to get more action in this field, Castillo Armas announced at his press conference on August 7 that the Committee for National Defense Against Communism (Weeka 32) would open an information office in the city and invited the public to hand in denunciations. He promised a clean-up of the public administration, even if persons were treated unjustly. Such cases, he said, could be corrected later. His government also appointed José Bernabé [illegible] as Chief of the Guardia Judicial (security police). He held this post under UBICO.

"Political Statute" Replaces 1945 Constitution: Before the press, the Junta, and Cabinet on August 11 signed the new "Political Statute" which replaces the 1945 Constitution until a Constituent Assembly draws up a new Constitution. The document vested in the Junta all executive and legislative functions and power over local government, but stipulated that the Junta delegated the administration of justice to the judiciary which was to be independent.

The Statute also provided for guarantees of many civil rights including freedom of the press, freedom of religion, and freedom of assembly. This confirmed the return of the country to Constitutional guarantees, which occurred on August 3 with the expiration of the suspension decreed by Arbenz in June and renewed by the Junta in the first week in July. The Statute, however, denied the courts the right to release persons arrested for security reasons.

The new Statute was cast in a far more conservative mold than the 1945 Constitution it replaces and there will doubtless be charges in Guatemala and elsewhere that it is "rightist." It confirmed the disenfranchisement of illiterates (about two-thirds of the potential voters) that was decreed last month, and replaces the former Constitution's elaborate promises of labor, social, and agrarian reforms with the laconic statement that these will be the subject of separate laws. There is also the point that the civil liberties guaranteed could be regarded as largely window dressing because the authorities are not prevented from adopting a policy of indiscriminately arresting citizens on "security" grounds, thus preventing their release by the courts.

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Anti-Communist Political Parties Suspended: The Junta this week suspended the activities of all political parties, including the anti-Communist parties. This was done by incorporating an article prohibiting further activity by all political parties until elections for a Constituent Assembly in the decree dissolving the Arbenz parties and formerly Communist-controlled labor and mass organizations. The article excepted organizations which had been collaborating with the Junta in eradicating Communism, but Minister of the Interior Jorge Adán Serrano told the press that this referred only to "civic" organizations (such as the students' anti-Communist organization, CEUA) and that anti-Communist political parties such as the Partido Unificación Anticomunista (PUA) and the Partido Independiente Anticomunista de Oriente (PIACO) would have to cease operations.

This measure, designed apparently to keep friction in political organization from further dividing the anti-Communist movement, had the effect of angering elements in the PUA and other anti-Communists who are distrustful of the young men in the CEUA.

Undercurrent of Unrest: During the week there were increasing signs that although Castillo Armas' popularity remains high, there was also a continued lack of discipline in his following and some discontent at conditions in the country. In the National Palace and in conversations with anti-Communist leaders, the atmosphere was rather one of intrigue and distrust rather than of unified work at eradication of Communism and reconstruction. Among the populace discontent centered on economic questions, although there were overtones of criticism of the government. Some businessmen, having faced some three months of unsettled conditions, grumbled that the government should take matters more firmly in hand so that commerce could resume in normal proportions. Among the working classes there was an appreciable amount of unemployment, though of exactly what proportions is unknown, as a result of the joint impact of the dismissals of excess, troublesome, or Communist-oriented workers by employers; and the purge of Communist and unnecessary workers from the bureaucracy. There were also some four thousand persons in jail most of July and the government in arrears on some salaries, thus further restricting the ava[illegible] money among the humbler sector of the population. A mood of anti-Communism but distress at economic conditions was perhaps reflected in a local motion picture theater showing this week "The Little World of Don Camillo" when the 15¢ galleries applauded a passage in which the priest passionately denounced the rich causing Communism by keeping people in misery.

FOREIGN AFFAIRS

First Group of Safeconducts Granted: The Foreign Ministry on August 10 announced it was granting safeconducts to 85 of the 770-odd persons who have been in asylum since the first days following the fall of the Arbenz Government at the end of June. An

examination of the list showed that they were virtually all foreigners and that many of them, such as Ramon AMAYA Amador, a Honduran and Alejandro BERMUDEZ, a Nicaraguan, were Communist figures who had been leaders of Communist-front exile organizations which had used Arbenz' Guatemala as a base for activities against their government. The Foreign Ministry plans to issue further safeconducts shortly and has not yet found a solution as to what, if anything, can be done about Communists and prominent Arbenz regime figures who are a potential danger to Guatemala and unwanted by the Latin American governments whose missions here shelter them.

LABOR

Labor Leaders Fearful Government is Turning Anti-Labor: Rubén [redacted] and other anti-Communists in the National Committee for Union Reorganization (CNRS) privately expressed apprehension this week that Castillo Armas' government was basically anti-labor following the issuance of the "anti-Communist" decree which dissolved the United Fruit Company's workers' unions at Bananera and Tiquisate, the railroad workers' union SAMF, and the teachers' union STEG. They quickly labelled this decree a "sell-out to the Fruit Company" and thought that it would cancel the unions' collective contracts and make it necessary to organize the unions from the bottom up over a period of a year rather than merely to hold elections in the next few months to replace the Communist-infiltrated executive committees which had already been removed. These fears were accentuated by the action of a Labor Court which dismissed the SAMF's long-standing labor conflict with the IRCA railroad involving wage increase demands on the grounds that one of the parties had ceased to exist.

The top level of the government, however, quickly realized the problem created by this reaction to the decree and promised to issue a bulletin making it clear that the unions could proceed to reorganize and elect new officers immediately, that the assets of the old unions would be handed over to these new unions when the government felt they were responsible, and that the workers would continue to be protected by the provisions of their contracts. The bulletin, however, has not yet been issued.

This incident brought into focus mounting impatience among non-Communist labor leaders that despite Castillo Armas' repeated assurances that he desires a free labor movement, little has been done in a practical way to encourage the CNRS. These persons claim that employers are dismissing anti-Communist workers with many years service unjustifiably and without severance pay, that employers are refusing to appear in Labor Courts, and that the employers have the support of labor authorities and judges. It is difficult at this time to know just how much truth there is in these reports, but there is evidently a mounting skepticism about the government on the part of the CNRS.

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Archbishop Blesses "Social Christian" Labor Movement: Underscoring the ties between the church and José GARCIA Bauer's "Social Christian" labor organization, now known as the Federación Autonoma Sindical (FAS), Msgr. Mariano ROSSELL Arellano, Archbishop of Guatemala blessed the organization's headquarters at a ceremony on Sunday, August 8.

ECONOMIC

Government Financial Position Better Than Previously Suspected: Further investigation into the government's financial situation (Weeka 32) revealed that the earlier statements by high government officials that the situation was critical were based on unsound information, and that the government should be able to make out with its own resources for ordinary expenses although it will need help if it undertakes large public works in the future.

The Manager of the Bank of Guatemala stated that the government owed $3 to 4 million dollars in wages and a maximum of $8 million on purchases, but existing laws would allow it to obtain an additional $9 million locally in long and short term borrowings. Government revenues were off almost 50 percent less in July this year than last, but are expected to return to normal if business should become more active through restoration of general confidence and political stability.

PSYCHOLOGICAL

U.S. "White Paper" on Guatemala Draws Public Interest: The Department's "White Paper" on Guatemala has been released to the press and public and has drawn an extraordinary amount of interest. Three newspapers are serializing the report, and there has been such a heavy demand for copies from persons who have come to the Embassy that rationing has had to be instituted. Copies have been distributed to the Junta, the Cabinet and other principal officials, to universities, and the chiefs of missions.

There has yet been little editorial comment, though Impacto of August 12 said that "The accusation of Communism was founded in irrefutable proof" and that it was wise to distribute the document which showed that the U.S. had "no interventionist intent nor was it undertaking any action against Guatemala's national sovereignty." The official Diario de Centro América stated "The report of the United States presents a complete panorama of the situation."

William L. Krieg
Chargé d'Affaires a.i.

cc: C.A. Missions & Routine

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